

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



COUNTY OF LAKE
COUNTY AGRICULTURAL COMMISSIONER'S OFFICE
PIERCE'S DISEASE CONTROL CONTRACT

AUDIT REPORT #08-066

FOR THE FISCAL PERIOD
JULY 1, 2004 THROUGH JUNE 30, 2007

COUNTY OF LAKE
COUNTY AGRICULTURAL COMMISSIONER'S OFFICE
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AUDIT REPORT NUMBER
08-066

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Steven Hajik
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County of Lake
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INDEPENDENT AUDITOR'S REPORT

The California Department of Food and Agriculture's (CDFA), Pierce's Disease Control Program (PDCP) requested the CDFA Audit Office to perform a contract compliance audit of three contracts with the County of Lake (County), County Agricultural Commissioner's Office (CAC). In our audit for the PDCP, we audited contract numbers 04-0629, 05-0481, and 06-0489 for the 2004/2005, 2005/2006, and 2006/2007 fiscal years.

The objectives of the audit were to ensure the CAC complies with the terms and conditions of the contract. We verified the accuracy of the service invoices billed under the contract; identified the basis for discrepancies between the actual charges and billed charges; and provided information to improve the terms and conditions of the contract.

We conducted our audit in accordance with generally accepted government auditing standards for fiscal compliance as issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the billings are supported by the accounting records and are submitted in compliance with the appropriate state and federal requirements and guidelines. An audit includes examining, on a test basis, evidence supporting the amounts included on the billings. An audit also includes assessing the accounting principles used and significant estimates made by management. We limited our test of internal controls and certain general ledger accounts due to our reliance on the unqualified audit report issued by the Independent Auditors.

During our audit of the CAC's compliance with state and federal laws and regulations, we identified two areas with reportable conditions that are considered weaknesses in the CAC's effort to comply. We have provided two recommendations to improve the compliance of the County. The County must respond in writing to these findings and recommendations.

Ron Shackelford, CPA
for Chief, Audit Office

January 9, 2008



CONCLUSION

We recommend that the PDCP accept the charges as billed to the program by the County during fiscal year 2004/2005 for contract #04-0629, fiscal year 2005/2006 for contract #05-0481, and fiscal year 2006/2007 for contract #06-0489. On a go forward basis, the County should bill the program for the actual pay rate earned by employees, and improve its supporting documentation for claimed operating costs in accordance with the requirements of the contract and Title 2 of the Code of Federal Regulations Part 225, Cost Principles for State, Local, and Indian Tribe Governments (2 CFR 225), or risk the possibility of a portion of these costs being disallowed.

AUDIT OF PIERCE'S DISEASE CONTROL CONTRACT

REPORTABLE CONDITIONS

EMPLOYEE PAY RATES

A review of the payroll records, billing records, and budget reports identified the CAC did not use actual personal salaries when determining the billing rate for permanent and temporary employees. According to Title 2 in the Code of Federal Regulations Part 225, "Cost Principles for State and Local Governments", (2 CFR 225), charges to Federal awards for salaries and wages will be based on payrolls documented in accordance with the generally accepted practice of the governmental unit. Additionally, budget estimates or other distribution percentages determined before the services were performed do not qualify as support for charges to Federal awards. There were multiple rate changes due to promotions, step increases and cost-of-living adjustments that the CAC did not update promptly. The use of these rates caused the CAC to invoice the PDCP for less costs than the amount it actually incurred. Since the total annual expense for the services provided exceeded the contract amount for all three years, we recommend PDCP accept the charges billed. Additionally, on a going forward basis, the CAC should comply with 2 CFR 225 regarding billing rates.

Recommendation

1. The CAC should comply with 2 CFR 225 by ensuring the hourly rate billed to the PDCP reflects the employee's actual hourly rate rather than the budgeted job classification's hourly rate.

DIRECT EXPENSES

The CAC billed the exact amount of the budgeted costs in July of each fiscal year at a rate of approximately \$100. However, no supporting documentation, such as invoices or receipts, was provided. 2 CFR 225 indicates that the cost be adequately documented, and the cost is ordinary and necessary for the performance of the contract. Without the supporting documents, we are unable to determine whether the items or services billed to PDCP supported the performance of the contracts. As noted above, the amount is immaterial to seek reimbursement, as well as the services provided exceeded the contract amount in two of the three years; therefore, PDCP should accept the charges billed. Furthermore, on a going forward basis, the CAC should comply with 2 CFR 225 regarding adequately supporting the costs submitted for reimbursement.

Recommendation

2. *The CAC should comply with 2 CFR 225 and ensure that all costs submitted for reimbursements are adequately supported with detailed accounting records. This will mitigate the possibility of the State disallowing any claimed costs by the CAC in the future.*

COUNTY AGRICULTURAL COMMISSIONER'S RESPONSE

**COUNTY OF LAKE**

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STEVEN HAJIK
Agricultural Commissioner
Sealer of Weights & Measures

June 4, 2008

State of California
Dept. of Food & Agriculture
1220 N Street, Room 344
Sacramento, CA 95814

RE: Audit Report #08-066

Please see below our plans for implementing the two recommendations identified in the above mentioned report.

Recommendation

1. The CAC should comply with 2 CFR 225 by ensuring the hourly rate billed to the PDCP reflects the employee's actual hourly rate rather than the budgeted job classification's hourly rate.

Response: We have generated an excel worksheet utilizing current base rates plus any applicable benefit rates for FY 07/08 as well as FY 08/09 for permanent employees. These rates have been implemented and are currently in effect. They will be updated when any ROA's, COLA's, or any other action that changes the rate of pay occurs. Extra Help pay rates will be reviewed at the beginning of each trapping season and amended if any action, such as a COLA, occurs. A copy of the excel worksheet is attached.

2. The CAC should comply with 2 CFR 225 and ensure that all costs submitted for reimbursements are adequately supported with detailed accounting records. This will mitigate the possibility of the State disallowing any claimed costs by the CAC in the future.

Response: No costs will be submitted for reimbursement without the support of a receipt or invoice. This protocol has been implemented and is currently in effect.

Respectfully submitted,

Steve Hajik
Lake County Agricultural Commissioner

SH/ke

Enclosure

PAY RATES FOR CONTRACT BILLINGS

	Kristi	Kris	Katherine	Dana	Drew	Steve
Rate of Pay	14.8255	23.5603	15.9464	23.5603	26.6564	43.3689
FICA .0765	1.1342	1.8024	1.2199	1.8024	2.0392	3.3177
PERS .10843	1.6075	2.5546	1.7291	2.5546	2.8904	4.7025
CoPers -.77 x .07	0.9839	1.5953	1.0623	1.5953	1.812	2.9819
Unemp .006	0.0890	0.1414	0.0957	0.1414	0.1599	0.2602
Insurance	3.1310	4.6243	3.131		4.6243	4.6243
Billing Rate 07/08	21.7711	34.2783	23.1844	29.654	38.1822	59.2555
Benefit Cost	6.9456	10.7180	7.2380	6.0937	11.5258	15.8866
	0.3190	0.3127	0.3122	0.2055	0.3019	0.2681
Benefit Rate	31%	31%	31%	21%	30%	27%
Average Benefit Rate 29%						
Salary Anniv. Date	6/19/08	12/1/12	1/17/09	12/1/09	5/29/10	2/11/11
.						
FY 08/09	15.5667	23.5603	15.9464	23.5603	26.6564	43.3689
FICA .0765	1.1909	1.8024	1.2199	1.8024	2.0392	3.3177
PERS .11157 *	1.6541	2.6286	1.7791	2.6286	2.9741	4.8387
CoPers -.77 x .07	1.0358	1.5953	1.0623	1.5953	1.812	2.9819
Unemp .006	0.0934	0.1414	0.0957	0.1414	0.1599	0.2602
Insurance *	3.2755	4.6243	3.131		4.6243	4.6243
Billing Rate 08/09	22.8164	34.3523	23.2344	29.728	38.2659	59.3917
Benefit Cost	7.2497	10.792	7.288	6.1677	11.6095	16.0228
	0.3177	0.3142	0.3137	0.2075	0.3034	0.2698
Benefit Rate	32%	31%	31%	21%	30%	27%
Average Benefit Rate 29%						

Updated 6/1/08

C DFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the County of Lake County Agricultural Commissioner, Lakeport, California, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this audit report are based on fieldwork that my staff performed between January 7, 2008 and January 9, 2008. My staff met with management on January 9, 2008 to discuss the findings and recommendations.

This audit report is intended solely for the information of the California Department of Food and Agriculture and the County Agricultural Commissioner. However, once finalized this report is a matter of public record and its distribution is not limited.

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	Agricultural Commissioner
2	State Coordinator, Pierce's Disease Control Program
1	Liaison, County/State Relations
1	Chief Counsel, CDFA Legal Office
1	Chief, Audit Office